

Alberta Motion Picture Development Corp
Annual report
AL-1-346



Alberta Motion Picture
Development Corporation

Annual Report

1982~83



January 18th, 1984.

The Honourable Hugh Planche,
Minister of Economic Development,
320 Legislative Building,
EDMONTON, Alberta.

Dear Mr. Planche:

I have the honour to present to you, in accordance with the provisions of Section 9 of the Motion Picture Development Act, 1981, the First Annual Report of the Alberta Motion Picture Development Corporation for the year ended March 31, 1983.

Yours truly,

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

Orville Kope,
Chairman of the Board.

CC: Messrs. Dallas J. Gendall,
Deputy Minister of Economic Development.

William Marsden,
Director, Film Industry Development.

Enclosure



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CHAIRMAN'S REPORT

It is a pleasure for me on behalf of the Board of Directors of the Alberta Motion Picture Development Corporation to submit this, our first annual report of the Corporation's activities to the Government of Alberta.

It has been an exciting but challenging year; exciting to have the opportunity to develop an industry as interesting and fragile as the making of motion pictures, and challenging to carry out that responsibility effectively.

The Board of Directors comprised of myself, as Chairman; Ken Chapman, Secretary; Lucille Wagner; Thomas Peacocke; and Aristides Gazetas commenced our duties by taking over the reins of the Corporation from your interim Board on April 20th, 1982. An Advisory Committee of Alberta motion picture people was on hand to assist us in an advisory capacity. That Committee was comprised of Eda Lishman, Chairman; Ron Brown; Doug Hutton; and Arvi Liimatainen. I would like to take this opportunity to thank these people for their invaluable continuing assistance. Additionally, I wish to thank you and your department staff for their assistance, particularly during our start-up days.

The general objective of the Corporation as set out in the Motion Picture Development Act " ... is to promote the development of the motion picture industry in Alberta." To accomplish that, the Act established the Motion Picture Development Loan Fund of \$3 million for purposes of making loans or loan guarantees of up to 60% of total funds required by producers for pre-production of motion pictures. That is, loans made are to assist producers with viable projects, develop them to a stage of having tangible proposals to present to prospective investors or procure pre-production sales from distributors, television broadcasters, and other buyers of motion pictures.

The Board of Directors' immediate task on taking office was the drafting of Regulations under the Motion Picture Development Act, hiring an executive officer, locating office space in the Banff-Canmore area, and dealing with an onslaught of applications for loans.

Lorne MacPherson, an Edmonton lawyer practicing in entertainment and film law, was hired as President and commenced his duties on July 15th, 1982, operating out of the Department of Economic Development's offices in Edmonton until September 1st, 1982, when he moved to Canmore where office space had been acquired. A support staff consisting of a finance officer and two secretarial persons were immediately thereafter recruited.

During the year, we met extensively with the Advisory Committee and the new President to establish procedures for loan and loan guarantee applicants to the Motion Picture Development Fund. In addition, the Corporation has dealt extensively with problem areas in the motion picture industry which the Corporation must address in order to effectively carry out its mandate. In that regard, major issues dealt with include the following:

Firstly, while the Motion Picture Development Loan Fund is a financial resource to be utilized in making loans and loan guarantees to motion picture producers for development purposes, rarely do the traditional loan-granting yardsticks utilized by financial institutions apply; and each application must be analyzed thoroughly by Corporation staff, the Advisory Committee, and the Board to establish the commercial viability of the applicant's project. Procedures for this process were established which would quantify applications yet not delay decisions unduly or frustrate applicants with paperwork.

Another issue was developing policy for applicant producers from outside the Province of Alberta. While the Corporation did not wish to arbitrarily

exclude non-Alberta producers, they concluded that a strict formula of Alberta content to assure such projects were of significant benefit to Alberta was necessary. A formula was established and implemented.

A concern, if we are to carry out our mandate and effectively utilize the \$3 million Motion Picture Development Fund, is the problem of marketing Alberta motion pictures. Motion picture marketing in Alberta (indeed throughout Canada) has been historically difficult for numerous reasons, many beyond individual producers' control. It is further exacerbated by the current highly volatile climate worldwide for film and television production brought about by economic conditions, costs of production, pay television, new state of the art production and transmission technology, and vastly fluctuating audience taste and habits. A task force of representatives from the Board of Directors and the Advisory Committee made recommendations to the Board to help improve motion picture marketing, and that report was submitted to the Department of Economic Development in December of 1982.

Closely linked to marketing difficulties is the problem of raising production financing. Developments in the area were dramatic in 1981 and 1982. Prior to 1981, Canadian motion picture producers enjoyed the benefits of a large pool of investor capital resulting from generous income tax incentives. However beginning in 1980 and continuing to date, this source of capital has virtually disappeared due to changes in the Income Tax Act, economic recession, and the generally poor earning record of feature films. Motion picture production consequently dropped drastically in 1981 and is only now reviving as a result in part of Pay Television's requirements to broadcast and finance independent Canadian film productions and the creation by the Government of Canada in early 1983 of the \$175 million Canadian Program Production Fund for television programming. In spite of the latter two developments, financing of motion pictures is still very difficult and new approaches are constantly required.

In that regard the Board, early in its existence, realized that to make appropriate decisions on loans their knowledge of marketing and production financing would have to be improved quickly and to that end, some Board and Advisory Committee members were delegated to attend film and television marketplaces during the year to meet with producers, distributors, exhibitors, and other agencies similar to the Corporation to "learn the business" of financing and marketing of motion pictures. That knowledge is, as well, being conveyed to Alberta producers to enable them to better package motion picture projects that will sell. Furthermore, we are, as time allows, scheduling seminars, printing material, and arranging meetings with the financial community to encourage investment in good motion picture projects.

Response to the Corporation's existence from the motion picture community has been far beyond the Corporation's expectations. During the year, the Corporation received 56 formal applications for loans of which 13 have been approved, with the balance still being considered or rejected. Fifty-seven percent of the applications have been from Alberta producers and 81% of the loans approved were to Alberta producers. Loans approved have ranged in size from \$6,000.00 to the Corporation's maximum \$200,000.00 loan limit. Loans are made through advances according to a pre-production schedule submitted by the applicant. The applicant's progress is reviewed prior to each advance. No loan guarantees have been made to date.

Loans have been approved for the following projects:

CHALLENGER VIDEO SERIES - Challenger Video Productions Ltd., Bill Kankewitt, Producer, to pre-produce 30, 15 minute video tapes on training people in areas of industry.

JOHN WARE'S COW COUNTRY - Four Nine Film Productions Ltd., Maxine Samuels, Producer, to pre-produce a six hour television mini-series based on the novel by Grant McEwan.

HORIZON - Maggie's Movies Ltd., Margret Kopala, Producer, to pre-produce a feature film based on the Sinclair Lewis book AS FOR ME AND MY HOUSE.

TICKETS - Ticket Film Productions Ltd., Reevan Dolgoy, Producer, to pre-produce a feature film based on an original screenplay.

OFFSHORE SAFETY - Film West Productions Ltd., George Christoff, Producer, to pre-produce a series of motion pictures concerning safety on offshore drilling rigs.

THE LONG TAKE - Long Take Productions Ltd., Jim Makichuk, Producer, to pre-produce a feature length film.

STRIKER'S MOUNTAIN - Wendy Wacko Productions Ltd., (289201 Alberta Ltd.), Wendy Wacko, Producer, to produce a two hour television pilot.

TEMPTATIONS OF BIG BEAR - Filmline Productions Ltd., Michael Spencer, Producer, to pre-produce a six, one hour television series based on Ruby Wiebe's award winning novel.

THE GRIZZLIES OF HANNINGTON - Karvonen Films Ltd., Albert Karvonen, Producer, to produce a 1/2 hour television naturalist documentary.

SUN RISE - SUN SET - Mustang Productions Ltd., James Gubersky, Producer, to develop further a television film on the life of "Two-Gun Cohen", the Alberta adventurer in China.

LISTEN TO ME - Meadowlark Productions Ltd., Harry Gulkin, Producer, to pre-produce a feature film based on a W. O. Mitchell play.

THE STUDHORSE MAN - Moonstone Productions Ltd., Michelle Stirling, Producer,
to further develop a feature film based on Robert Kroetsch's novel.

\$968,100.00 in loans has been approved in principle to year end, with \$342,480.00 of that being advanced. Total pre-production budgets on these projects is \$2,700,000.00 with production budgets being over 46 million dollars. In spite of the fact that development of a motion picture project normally takes one to two years, we anticipate that three of the motion picture projects assisted with development will be in actual production during 1983.

As stated, economic conditions and industry volatility has had an adverse effect on motion picture production in Canada over the past two years and the Corporation's existence is, in our opinion, even more critical now than ever to the development of the motion picture industry in Alberta.

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 1983

Auditor's Report

Balance Sheet

Statement of Operating Expenses

Statement of Changes in Financial
Position

Notes to the Financial Statements



ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Motion Picture Development Corporation

I have examined the balance sheet of the Alberta Motion Picture Development Corporation as at March 31, 1983 and the statements of operating expenses and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1983, and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding period.

A handwritten signature in dark ink, appearing to read 'D. W. Roy', is written over a horizontal line.

C.A.

Auditor General

Edmonton, Alberta
November 28, 1983

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATIONBALANCE SHEETAS AT MARCH 31, 1983

	<u>1983</u>	<u>1982</u>
<u>ASSETS</u>		
Operating Account		
Cash	\$ 9,687	\$ -
Deposits in the Consolidated Cash Investment Trust Fund	-	169,000
Prepaid expenses	43,847	-
Leasehold improvements	32,900	-
Furniture and equipment	<u>70,194</u>	<u>-</u>
Total operating account assets	<u>156,628</u>	<u>169,000</u>
Loan Account		
Cash	20,097	-
Short-term deposits	230,000	-
Loans to motion picture producers (Note 3)	<u>153,922</u>	<u>-</u>
Total loan account assets	<u>404,019</u>	<u>-</u>
	<u>\$560,647</u>	<u>\$169,000</u>
<u>LIABILITIES</u>		
Operating Account		
Accounts payable	\$ 13,582	\$ 1,306
Deferred Province of Alberta Contribution (Note 4)	39,952	167,694
Capital surplus	<u>103,094</u>	<u>-</u>
Total operating account liabilities	<u>156,628</u>	<u>169,000</u>
Loan Account		
Due to the Motion Picture Development Fund (Note 5)	<u>404,019</u>	<u>-</u>
Total loan account liabilities	<u>404,019</u>	<u>-</u>
	<u>\$560,647</u>	<u>\$169,000</u>

The accompanying notes are part
of these financial statements.

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATIONSTATEMENT OF OPERATING EXPENSESFOR THE YEAR ENDED MARCH 31, 1983

	<u>1983</u>	<u>1982</u> (Note 7)
Leasehold improvements and equipment	\$103,094	\$ -
Salaries and employee benefits	67,793	-
Administration travel	29,246	-
Honorariums	24,335	-
Board member meetings	21,877	1,042
Promotion and advertising	19,898	-
Office rental	14,328	-
Professional fees	12,766	2,240
Office supplies	9,004	-
Conference fees	7,460	-
Telephone	5,499	24
Advisory committee meetings	4,839	-
Postage and freight	2,655	-
Equipment rental	2,439	-
Repairs and maintenance	1,294	-
Insurance	561	-
	<u>\$327,089</u>	<u>\$3,306</u>
Contribution by the Province of Alberta (Note 4)	<u>\$327,089</u>	<u>\$3,306</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATIONSTATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEAR ENDED MARCH 31, 1983

	<u>1983</u>	<u>1982</u> (Note 7)
<u>OPERATING ACCOUNT</u>		
Cash Provided		
Increase in accounts payable	\$ 12,276	\$ 1,306
Province of Alberta Contribution (Note 4)	<u>199,347</u>	<u>171,000</u>
	<u>211,623</u>	<u>172,306</u>
Cash Applied		
Increase in prepaid expenses	43,847	-
Operations	<u>327,989</u>	<u>3,306</u>
	<u>370,936</u>	<u>3,306</u>
Net decrease (increase) in cash and deposits in the Consolidated Cash Investment Trust Fund	<u>\$159,313</u>	<u>\$(169,000)</u>

LOAN ACCOUNT

Cash Provided		
Advances from the Motion Picture Development Fund	\$587,500	\$ -
Interest on loans and other income	<u>30,019</u>	<u>-</u>
	<u>617,519</u>	<u>-</u>
Cash Applied		
Loans to motion picture producers	<u>367,422</u>	<u>-</u>
Net increase in cash and short-term deposits	<u>\$250,097</u>	<u>\$ -</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1983

Note 1 Authority

The Alberta Motion Picture Development Corporation operates under the authority of the Motion Picture Development Act, Chapter M-19.1, Statutes of Alberta 1981.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that no amortization or depreciation has been provided on leasehold improvements or furniture and equipment as these assets are charged to operations in the year of acquisition and are shown on the balance sheet at cost with the offsetting credit to capital surplus.

Note 3 Loans to Motion Picture Producers

These loans are limited to 60% of the total funds required for the pre-production stage of motion pictures. The amount shown in the balance sheet includes accrued interest of \$14,942 (1982 \$NIL) and is reduced by a cumulative provision for non-recovery amounting to \$213,500 (1982 \$NIL). The provision arises from management's ongoing assessment of the ability of motion picture producers to obtain financing to cover the full cost of producing motion pictures and to repay the loans.

Note 4 Deferred Province of Alberta Contribution

Operating expenses of the Corporation are paid by the Province of Alberta. The unexpended portion of the contribution by the Province has been deferred to cover future operating expenses.

	<u>1983</u>	<u>1982</u>
Cash received during the year	\$199,347	\$171,000
Deferred at beginning of year	<u>167,694</u>	<u>-</u>
	367,041	171,000
Operating expenses for the year	<u>327,089</u>	<u>3,306</u>
Deferred at end of year	<u>\$ 39,952</u>	<u>\$167,694</u>

Note 5 Due to the Motion Picture Development Fund

The Act provides for advances to be made to the Corporation by the Motion Picture Development Fund for the purpose of making loans to motion picture producers. Interest received by the Corporation on these loans and any other income accrues to the Fund. Loan repayments retire advances and any non-recovery of loans reduces the liability of the Corporation to the Fund.

The amount shown in the balance sheet comprises:

Advances	\$587,500
Interest accrued or received on loans to motion picture producers	14,942
Other income	<u>15,077</u>
	617,519
Less: Allowance for the estimated non-recovery of loans to motion picture producers (Note 3)	<u>213,500</u>
	<u>\$404,019</u>

In order to meet the funding needs of the Corporation, under the direction of the Lieutenant Governor in Council the Motion Picture Development Fund borrows sums from the General Revenue Fund of the Province of Alberta. The Act restricts these borrowings to a maximum of \$3 million.

Note 6 Lease Commitment

Effective August 1, 1982, the Corporation signed a five year lease for office accommodation in Canmore, Alberta. The lease has a four year renewal term and a minimum annual rent of \$28,594.

Note 7 Comparative Figures

The comparative figures in Statements B and C are for the period September 23, 1981 to March 31, 1982.

Note 8 Approval of Financial Statements

These financial statements were approved by management on November 28, 1983.

Note 2: Due to the Motion Picture Development Fund

The Act provided for advances to be made to the Corporation of the Motion Picture Development Fund for the purpose of making loans to motion picture producers. Interest received by the Corporation on these loans and any other income accrued to the fund, less payments for the interest and any non-recovery of loans received by the Corporation for the fund.

The account shown in the balance sheet comprises:

Advances	2007,800
Interest accrued or received on loans to motion picture producers	14,845
Other income	13,071
	<u>217,716</u>
Less: Allowance for the estimated non-recovery of loans to motion picture producers (Note 3)	513,808
	<u>283,908</u>

In order to meet the funding needs of the Corporation, under the direction of the Lieutenant Governor in Council the Motion Picture Development Fund borrows from the General Revenue Fund of the Province of Alberta. The Act restricts these borrowings to a maximum of \$2 million.

Note 3: Lease Commitment

Effective August 1, 1982, the Corporation signed a five year lease for office accommodation in Calgary, Alberta. The lease has a four year renewal term and a minimum annual rent of \$25,000.

Note 4: Contingent Liabilities

The comparative figures in Statements 2 and 3 are for the period September 27, 1981 to March 31, 1982.

Note 5: Approval of Financial Statements

These financial statements were approved by management on November 25, 1982.

